Minutes of
Stated Meeting of the
Trustees of the University of Pennsylvania

February 19, 1999

A stated meeting of the Trustees of the University of Pennsylvania was convened at 2:10 p.m. on Friday, February 19, 1999 in Alumni Hall of the Faculty Club. Trustees present were Arlin M. Adams, Lynda Barness, Judith Roth Berkowitz (via proxy), Mitchell J. Blutt, Christopher H. Browne (via proxy), Gilbert F. Casellas, Susan W. Catherwood, Richard J. Censits, Carol B. Einiger (via proxy), Jerome Fisher (via proxy), Robert A. Fox, Robert A. Gleason, Jr., Mary Ann Greenawalt, Alan G. Hassenfeld (via proxy), Norman P. Hetrick, John C. Hover II, Elsie Sterling Howard (via proxy), Reginald H. Jones, Edward W. Kane, Paul K. Kelly, Natalie I. Koether, Robert P. Levy, Carolyn A. Lynch, William L. Mack, Jerry Magnin, Anthony S. Minisi, Andrea L. Mitchell, David P. Montgomery, Egbert L. J. Perry (via proxy), Mitchell I. Quain, Pamela Petre Reis (via proxy), Marjorie O. Rendell, James S. Riepe, Judith Rodin (ex officio), Adele K. Schaeffer, Leonard A. Shapiro, Alvin V. Shoemaker, David M. Silfen, David W. Sweet, Michael L. Tarnopol, Robert L. Trescher, P. Roy Vagelos (chair), and Raymond H. Welsh.

Also present were Jennifer Baldino, Robert Barchi, Virginia B. Clark, Terry Conn, Kathryn J. Engebretson, Peter C. Erichsen, Caroline Ford, John A. Fry, Karen Gaines, John Gillespie, Rev. William Christian Gipson, George Hain, Eugene Huang, Jason E. Horger, William N. Kelley, Catherine Lucey, Rosemary McManus, Nancy Nowicki, Ronald Ozio, John Prendergast, Jay Saddington, Ira Schwartz, Duncan W. Van Dusen, Rick Whitfield, Kenneth J. Wildes, Jr., and Marie Witt.

I. Call to Order - Dr. Vagelos

A. The Rev. William Christian Gipson offered the invocation for the meeting.

B. The minutes of the meeting of October 30, 1998 were approved as distributed.

II. Chair's Report - Dr. Vagelos

A. Comments

Chairman Vagelos welcomed the new trustees, Dr. Mitchell Blutt, Robert Gleason, Jr., David P. Montgomery, and David M. Silfen, as well as the new provost, Dr. Robert Barchi. Chairman Vagelos congratulated President Rodin for a wonderful meeting and her recent accomplishments in both University and community-related areas.

Action.......1. A Memorial Resolution for the Honorable A. Leon Higginbotham, Jr. was approved as follows:
The Honorable A. Leon Higginbotham, Jr. (HON’75), a towering defender of social justice, was the author of two books on race and the American legal process: the award-winning *In the Matter of Color* and its worthy successor, *Shades of Freedom*. While he did not live to write the autobiography many hoped for, his words and deeds live on to guide and inspire us.

A renowned jurist, he served as a judge, chief judge, and senior judge for the U.S. Court of Appeals for the Third Circuit from 1977 to 1993 and as a U.S. district judge from 1964 to 1977. Of counsel at the New York law firm of Paul, Weiss, Rifkind, Wharton & Garrison since leaving the bench, he also was a Commissioner of the United States Commission on Civil Rights and the Public Service Professor of Jurisprudence at the John F. Kennedy School of Government at Harvard University. A graduate of Antioch College and Yale Law School, he had taught for 24 years at the University of Pennsylvania as an adjunct professor in the Department of Sociology and later also as a senior lecturer at the Law School. Beloved by his students, he was described as "a mentor and father figure to an entire generation of law professors and lawyers."

A University of Pennsylvania trustee for over 30 years, from 1968 until his death, Judge Higginbotham brought his wise counsel to the Executive Committee, as well as to the Academic Policy, Honorary Degrees and Awards, Student Affairs, and University Responsibility Committees. In recognition of his "generous service to others, his judicious compassion, and his warm understanding of man's strengths and foibles," the Board of Trustees conferred upon him the Honorary Degree of Doctor of Laws in 1975. Over the years, he was a trustee of the University of Pennsylvania Press, chaired the Boards of Overseers of the Law School and the Graduate School of Education, and served on the Commission on Strengthening the University Community.

In the larger community, he made a powerful impact as vice chair of the National Commission on Causes and Prevention of Violence, president of the Philadelphia Chapter of the NAACP, Commissioner of the Pennsylvania Human Relations Commission, and through his work on the Federal Trade Commission and the Philadelphia Urban Coalition. The holder of honorary degrees from more than 50 institutions, he also served as a trustee of Yale University and Thomas Jefferson University. His many national and international honors and accolades culminated in 1995 with the nation's highest civilian honor, the Presidential Medal of Freedom.

RESOLVED, that the Trustees of the University of Pennsylvania express their deep sorrow over the death of their colleague and long-time friend, and in recording this official minute on behalf of the University community, share their enduring gratitude and affection with the family of Leon Higginbotham, for his wisdom, guidance, and friendship.

B. Nominating Committee Report
Action…..1. Dr. Vagelos presented a Resolution on Election of Ronald O. Perelman as a Charter Trustee, which was approved as follows:

RESOLVED, that Ronald O. Perelman be elected a Charter Trustee, effective February 19, 1999.

III. President’s Report - Dr. Rodin

A. Comments

President Rodin formally introduced Dr. Robert Barchi to the full Board, stating that Dr. Barchi takes his place in a long line of extraordinary academic leaders who have served as provosts at Penn. She predicted that Dr. Barchi’s service would be an engaging and collaborative partnership that will make the University even greater.

The president then turned to news on the admissions front, reporting that applications for Penn's next undergraduate class hit an all-time high yet again this year. Early admits also saw a significant increase from last year. Penn received a total of 17,514 applications for the Class of 2003, which is a six percent increase over the previous year. This represents Penn's most diverse applicant pool ever. The University also received a record number of international applications, with 2,464 applications from hopeful matriculants from six continents. Finally, a record number of minority students applied for slots in the Class of 2003. Penn's admissions numbers also included an 18% increase in admissions under Penn's early decision program, which this year totaled 920 highly qualified students. Based on the data from these early decision students, and what has been seen from the regular decision pool, the president believed the Class of 2003 will be the most academically gifted ever.

President Rodin described some very positive developments since the announcement last October of Penn's partnership with the School District of Philadelphia and the Philadelphia Federation of Teachers to develop a new public school in West Philadelphia. The collaborative planning effort is moving forward, and members of the coordinating committee and three planning committees have volunteered more than 1,000 hours visiting other schools known for their excellent educational and community programming. In a vote of confidence for the project, the Pew Charitable Trusts have granted $325,000 in support of the school. President Rodin welcomed their commitment and vowed to continue to seek the external funding necessary to carry out this important initiative.

The president reaffirmed her belief that the Penn Humanities Forum, under the leadership of Prof. Wendy Steiner, will serve as a pillar of the University’s scholarly community, fostering interdisciplinary collaboration across the departments and schools of the University, as well as between the University and the cultural and educational institutions of Philadelphia.

President Rodin then enthusiastically recommended the appointment of Mr. Lee Nunery as Vice President for Business Services. The president cited Mr. Nunery’s track record in business and finance as the former Managing Director of NationsBank Montgomery Securities and as Vice President for the National Basketball Association in New York. The President
enumerated the departments and services which Mr. Nunery will oversee, including the Penn Bookstore, Campus Dining, Transportation and Parking, the Faculty Club, Penn Children’s Center, and Housing and Conference Services. The president presented the following resolution for Trustee approval:

Action......1. A Resolution on Appointment of Leroy D. Nunery as Vice President for Business Services was approved as follows:

RESOLVED, that Leroy D. Nunery be appointed Vice President for Business Services, effective March 15, 1999.

President Rodin then personally thanked Ms. Marie Witt for her service as Interim Vice President for Business Services. The president noted that Ms. Witt had taken over for Mr. Steven Murray, and she also said Ms. Witt represented the best of what Mr. Murray aspired for in the department.

Finally, on the advice and with the consent of Professor Schwartz’s peers, the president recommended to the Trustees that Dean Ira Schwartz be reappointed as Dean of the School of Social Work for a term of five years. The president expressed her pleasure to have worked closely with Dean Schwartz over his initial term and her great confidence in his ability to lead the School of Social Work to an even brighter future.

Action......2. A Resolution on Reappointment of Ira M. Schwartz as Dean of the School of Social Work was approved as follows:

RESOLVED, that Ira M. Schwartz be reappointed Dean of the School of Social Work for an additional five-year term beginning July 1, 2000.

B. Academic Report - Dr. Barchi

Dr. Barchi began his first stated meeting as provost by summarizing his goals for four major areas which he believes most deserving of his attention: to enrich the intellectual climate of the University, to encourage innovation in teaching and research, to implement and advance the Agenda for Excellence priorities, and to strengthen the academic infrastructure of the University.

Dr. Barchi stated that enriching the intellectual climate of the University is of utmost importance. He expressed his support for the implementation of the College House system and using the College House system as a framework on which to hang additional programs that cut across schools and transcend some of the traditional boundaries within the educational experience. Other facets of enriching Penn’s intellectual climate would be to improve recreational, performing arts, and social space and provide more on-campus Provost’s Office-sponsored events which might include concerts, lectures, and other performing arts to bring together students, faculty, and staff. On the subject of encouraging innovation in teaching and research, the provost vowed to
work closely with the deans and their schools to expand on highly successful interdisciplinary and multidisciplinary programs, strengthening linkages and removing barriers between schools. Dr. Barchi commented that he looks forward to advancing the Agenda for Excellence priorities and developing the next set of Agenda goals by working closely with the president and the deans. With regard to the fourth goal of strengthening Penn’s academic infrastructure, the provost, as the chief academic officer of the University, is striving to work in close partnership with the president and the deans and evaluating and improving the Provost Office’s structure to best serve the needs of Penn’s community of scholars.

Dr. Barchi announced a number of honors awarded to Penn faculty members recently. Prof. Aravind Joshi, the Henry Salvatori Professor of Computing and Cognitive Science, has been elected to membership in the National Academy of Engineering (NAE) in recognition of his contributions to natural language processing. Dr. Joshi is the eighth member of the Engineering faculty—and the third in the last four years—to be elected to the NAE.

Additionally, five members of Penn’s faculty recently were named Sloan Fellows for their excellence in research: Prof. Rajeev Alur, Computer and Information Science (SEAS); Prof. Randall Kamien, Physics and Astronomy (SAS); Prof. Chung-Pei Ma, Physics and Astronomy (SAS); Prof. Tony Pantev, Mathematics (SAS); and Prof. Mary Pugh, Mathematics (SAS).

Dr. Barchi also announced that seven faculty members received the National Science Foundation’s Faculty Early Career Development awards. The NSF Early Career program supports "scholars who are committed to the integration of research and education." A total of $80 million, in four- to five-year grants of $200,000 to $500,000, has been awarded to 338 faculty members across the nation. Penn’s recipients and their special research interests are Prof. Rajeev Alur, Computer-Aided Verification of Reactive Systems; Prof. Suresh Ananthasuresh, Integrated Synthesis of Mechanical Systems with Unconventional Actuations; Prof. Mark Devlin, Measuring the Spectrum of the Cosmic Microwave Background Anisotropy on Angular Scales from 0.15 to 4 Degrees; Prof. Noah Gans, Telephone Call Centers: Human Factors in the Management of Queueing Systems; Prof. Lorin Hitt, The Economics of Information Technology, Organization and Productivity: Theory Development and Empirical Analysis; Prof. Randall Kamien, Chiral Molecules, Structures and Materials; and Prof. David Meaney, A Career Application in Bioengineering Research and Education.

Action…….1. Finally, the provost presented a Resolution on Appointments, Leaves and Promotions, printed at pp. 4 – 21 of the meeting book, which was approved.

C. Financial Report - Mr. Fry

Mr. Fry presented the financial report for Fiscal Year 1999 for both the University and Health Services component through December 31, 1998. For the first two quarters of Fiscal Year 1999, the University increased its net assets by $81 million to a total of $3.98 billion. Most of this increase is the result of non-operating activities including $73.2 million in contributions to the endowment and various capital projects and $7 million of investment income reinvested in endowment principal under the spending rule. These increases are partially offset by a net loss on investments both realized and unrealized of $31.9 million since June 30, 1998. This compares with a net gain of $44.5 million on investments for the first six months of the previous
fiscal year. As shown on the statement of financial position, plant assets, net of depreciation increased almost $80 million since June 30, 1998. The increase is primarily due to expenditures incurred for the Biomedical Research Building II/III, the Perelman Quad, Sansom Common, and the Annenberg School renovations. The $37.1 million increase in accounts receivable is attributable to student receivables, which are historically higher at mid-year than at fiscal year-end. Through December 1998, operating revenue increased 8.4% over the comparable period in Fiscal Year 1998. Overall tuition and fees increased 5.3%, reflecting both a tuition rate increase and a slight increase in the number of students enrolled.

The University continues to see significant increases in revenues derived from contributions and sponsored programs. Sponsored program revenue increased over 20% from the comparable period in Fiscal Year 1998 to a total of almost $139 million. This increase reflects the continuing trend the University has seen in the last several years in the number of new sponsored program awards received. The University also saw an increase of 28% in combined operating and non-operating contributions from FY 98 to FY 99. Overall expenditures increased almost 11%, primarily the result of increased sponsored program activities.

At this time, Mr. Fry did not project any significant deviations from planned budget and performance for any of the University schools and resource centers.

Mr. Fry continued by reporting that through December 31, 1998, the Health Services Component of the Health System had a gain in earnings before interest, appreciation, and amortization of $22.5 million which was $2.4 million better than budget. After adjusting for depreciation, amortization, and interest expense, the Health Services Component had a loss from operations of $15.2 million for the six months, which was $1 million better than budget. After accounting for non-operating revenue, non-recurring expenses, and before the adjustment for fair value, the Health Services Component had an overall surplus of $159,000 which was $6.1 million better than budget.

D. Health System Report - Dr. Kelley

On behalf of the Health System, Dr. Kelley expressed his delight with the appointment of Dr. Barchi as provost.

Dr. Kelley continued and stated that with the continuing double digit growth in Health System clinical activity, we were having trouble keeping up with demand, but that it was a “good problem” to have.

Dr. Kelley then announced three new administrative appointments in the Health System. Dr. I. William Ferniany has moved into the role of Senior Vice President for Professional Services. Dr. David J. Shulkin, the Chief Quality Officer and Chief Medical Officer for the Health System, now also is responsible for Managed Care. Also, Dr. Bernett L. Johnson has been appointed as Senior Medical Director of the Hospital of the University of Pennsylvania, while retaining his current positions as Senior Associate Dean for Veteran Affairs, Associate Dean for Graduate Medical Education and Minority Affairs, and Associate Dean for Community Affairs.
Action………1. Finally, Dr. Kelley presented the following Resolution to Amend Article IV of the By-Laws of Wissahickon Hospice to Increase the Number of Trustees and Expand the Wissahickon Class of Trustees was approved as follows:

Intention:

Wissahickon Hospice ("WH") has expanded into the Phoenixville area and the area surrounding Pennsylvania Hospital and the Board of Trustees of WH and the Health System Executive Committee has recommended that two (2) additional Board members be appointed to represent those areas to the Wissahickon Class of Trustees. In order to appoint two additional Trustees, Article IV of the By-Laws of WH needs to be amended to increase the overall number of Appointed Trustees from eighteen (18) to twenty (20) members and to increase the Wissahickon Class of Trustees from fourteen (14) to sixteen (16) members.

Section 4.2 of the Amended and Restated By-Laws of WH currently provides that the Board of Trustees shall consist of at least eighteen (18) Appointed Trustees, divided into two classes: (a) the WH Trustees which consists of fourteen (14) trustees; and (b) the University of Pennsylvania Health System ("UPHS") Trustees which consists of four (4) trustees.

Section 11.1 of the By-Laws states that an amendment to the By-Laws may be made at any time upon recommendation of the Board of Trustees of WH and the approval of the Health System Trustee Board Executive Committee.

RESOLVED, that the University Board of Trustees, upon recommendation of the Wissahickon Hospice Board of Trustees and the Health System Trustee Board Executive Committee, hereby approves an amendment to Article IV of the Amended and Restated By-Laws of Wissahickon Hospice to increase the overall number of Appointed Trustees from eighteen (18) to twenty (20) members and to increase the Wissahickon Class of Trustees from fourteen (14) to sixteen (16) members.

E. Antitrust Compliance Report - Mr. Erichsen

Mr. Peter C. Erichsen, Vice President and General Counsel for the University and the Health System, reported that in September 1989, the University received from the U.S. Justice Department a request for information in connection with its inquiry into potential agreements among colleges and universities relating to financial aid, tuition, and faculty and administrative salaries. Cooperating fully with the investigation, Penn provided many thousands of documents to the Justice Department. The inquiry culminated in the entry on September 20, 1991, of a final judgment in the U.S. District Court for the Eastern District of Pennsylvania. Under the terms of that judgment, Penn, the seven other Ivy League schools, and MIT agreed not to exchange certain types of information, such as financial aid data and "plans and projections, including budget assumptions, regarding future student fees or general faculty salary levels." Mr. Erichsen noted
that he was presenting the following information as part of the University’s compliance with these antitrust laws.

In 1992, Congress modified the requirements of the final judgment by enacting legislation that allowed colleges and universities to agree to award institutional financial aid on the basis of need and to discuss and adopt principles for determining student financial need. The law, however, did not authorize them to discuss financial aid awards to specific common applicants. That law was replaced by legislation permitting colleges and universities that practice need-blind admission to agree to award aid only on the basis of financial need, to use common principles of analysis for determining need, to use a common aid application form, and to exchange certain limited financial data with respect to commonly-admitted applicants prior to making an aid award. The legislation defines “need-blind admission” as making admissions decisions without regard to the financial circumstances of the student. The law does not authorize colleges and universities to discuss specific aid awards to common applicants, and under the final judgment, the University is still required to maintain an enforcement program that disseminates the rules set out in the judgment and monitors compliance with the antitrust laws.

In accordance with the requirements of the final judgment, the University's General Counsel has been designated Antitrust Compliance Officer, with responsibility for implementing the antitrust compliance program. While complying with the final judgment is a priority, it should not impede appropriate communication among schools. Mr. Erichsen added that he has distributed to the Board and to the University community the final judgment and the University's guidelines on cooperative exchanges of certain University information. Finally, Mr. Erichsen remarked that the Office of the General Counsel is available to answer questions regarding compliance with the final judgment and the antitrust laws.

IV. Committee Reports

A. Academic Policy - Judge Rendell

Judge Rendell described the meeting of the Academic Policy Committee, which focused on undergraduate research opportunities at Penn, as informative, invigorating and impressive. Judge Rendell noted that Provost Barchi described the increase in the quality of Penn students, the University’s sixth place ranking by U.S. News and World Report, and the tremendous growth in research revenues as being closely related; better students are coming to Penn because of the research opportunities available to them. Judge Rendell remarked that the Engineering and Nursing Schools and some SAS majors require seniors to undertake a research project as a requirement for graduation. Other departments offer honors programs or seminars that require research or the completion of a thesis. The Undergraduate Research Resource Center is playing an increasingly important role as a place for students to gain information about research resources and opportunities, funding, grant applications, and presentations.

After a brief presentation by Dr. Barchi, the Committee heard from three undergraduates who described their individual research experiences. Ms. Masa Culumovic, C’99, a dual major in Classics and Economics, spent last summer reading original Latin texts in archives located in Zagreb, Croatia and produced a manuscript and web site on Jesuits in the 17th century Croatian town of Pozega. Mr. Andy Yim, C’99, a Biology major concentrating in molecular biology,
described soil bacterium that is capable of genetically altering the DNA of its plant host. Mr. Eugene Huang, SEAS ‘99, a Management and Technology major, told the Committee about a company he and a fellow student have started based on their senior design project—the first software-controlled remote. Judge Rendell expressed gratitude to the faculty members who had worked with these students and who also relayed to the Committee how wonderful their collaborative experiences with these students had been.

Chairman Vagelos remarked that he would like to see more of this kind of interaction between the Board and Penn students.

B. Audit and Compliance - Mr. Riepe

Mr. Riepe reported that the Audit and Compliance Committee had met recently to review the management letters submitted by PricewaterhouseCoopers on both the Health System and the academic side of the University. The Committee also had a thorough review with the persons responsible for Y2K compliance for both the University and Health System; Mr. Riepe noted that, with a few exceptions, the remediation and testing is on track.

Action………1. A Resolution on the Engagement of the Public Accountant was approved as follows:

Intention:

Independent accountants are engaged annually to express an opinion as to whether the financial statements, as prepared by management, considered in their entirety, present fairly, in all material aspects, the University's financial position, and the changes in its net assets and its cash flows, in conformity with generally accepted accounting principles. The Trustees of the University of Pennsylvania, through its Committee on Audit and Compliance, is responsible for engaging the independent accountants.

RESOLVED, that PricewaterhouseCoopers be and hereby is appointed as independent accountants to audit the financial statements of the University of Pennsylvania subject to negotiation of reasonable fees for Fiscal Year 1999.

C. Budget and Finance – Dr. Vagelos

Dr. Vagelos noted that the following resolutions are to be recorded as actions of the Executive Committee:

Action……1. A Resolution to Access Financing for the West Philadelphia Initiative Single Family Rehabilitation Program was approved as follows:

Intention:

In 1997-98, the University launched several initiatives in support of neighborhood revitalization in West Philadelphia, including programs aimed at increasing home ownership and neighborhood stabilization. In addition to the guaranteed mortgages, Penn
has sought to provide direct support to the local housing market by acquiring and rehabilitating selected distressed properties that are unlikely to be addressed through regular market forces. Under the Single Family Rehab Program's first phase, the University acquired twelve properties via sheriff and negotiated sales in several areas of University City. These properties, which are clearly distressed, are located on otherwise solid residential blocks within communities with strong community organizations. Of the initial properties acquired, four have been sold, six are under construction, and the remaining properties are in planning or design stages.

The University and its partners, Fannie Mae and Delaware Valley Community Reinvestment Fund (DVCRF), have completed a preliminary review of the current conditions in University City and identified approximately 100 properties which are appropriate for the next phase of a rehabilitation effort. A two-tiered approach to address the rehabilitation of these properties over the next three years has been developed as follows:

- Penn as an investor with a third party developer: for the majority of properties, third party developers will be invited to bid on packages of properties. The developer will acquire the properties, and Penn will be an investor, providing an average of $15,000.00 per unit from the initial $1 million fund (from DVCRF). These funds will supplement those available from the City’s economic stimulus funding.

- Penn as the developer: Penn will acquire, develop and sell a limited number of key properties. The source of funds will be revolving lines of credit for the acquisition and construction of key residential properties.

The properties for which Penn will be the developer will be selected based on the following criteria:

- Located on an especially strong residential block within priority areas in University City.

- Especially desirable property, particularly with historic features, whose loss would severely damage an otherwise strong residential block.

Access to revolving lines of credit for acquisition and construction would allow the University to use the initial $1 million fund to leverage the City’s economic stimulus funding and to fill the gap between the acquisition and construction costs and the sales proceeds for those properties which are distressed but are considered to be key properties for rehabilitation. This project should not exceed $6 million: $1 million for acquisition line of credit (from DVCRF) and $5 million for construction line of credit (from Fannie Mae).

RESOLVED, that the University access lines of credit for the purpose of completing the construction of properties currently owned and the acquisition and rehabilitation of other key residential properties in the Single Family Rehab Program, in an amount not to
exceed $6 million ($1 million from DVCRF for acquisition line of credit and $5 million from Fannie Mae for construction line of credit), be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts, and incur such expenses and obligations – not, however, in excess of 110% of the estimated cost as presented to the Budget and Finance Committee – as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

Action........2. A Resolution Authorizing the Sale of 4636 Larchwood Avenue, Philadelphia, Pennsylvania was approved as follows:

Intention:

In 1995 the University received as a gift, property located at 4636 Larchwood Avenue, Philadelphia, Pennsylvania consisting of a five (5) bedroom residence situated on approximately 2,310 square feet of land. The University has received an offer to purchase the property for a purchase price of $156,000.

RESOLVED, that the Executive Vice President or any other appropriate officers of the University be and they hereby are authorized to proceed with the sale and conveyance of the said property for a purchase price of $156,000 and to proceed with the execution and delivery of the deed and all necessary affidavits and other documents required in connection with such sale and conveyance, and that any actions heretofore taken by such officers in furtherance of the purposes of this Resolution are hereby ratified and affirmed.

Action........3. A Resolution Authorizing the Purchase of 2636 Lenape Road, Philadelphia, Pennsylvania was approved as follows:

Intention:

The University proposes to acquire real property located at 2636 Lenape Road in Philadelphia, Pennsylvania (the “Property”). The Property is a single family dwelling and is being purchased on a "bargain sale" basis for $40,000 plus closing costs. The value of the property substantially exceeds the proposed purchase price. The acquisition costs for the Property will be funded by the University’s School of Medicine.

RESOLVED, that the Executive Vice President or any other appropriate officer of the University be and they hereby are authorized to proceed with the purchase of the Property in accordance with the terms previously described in this resolution and to proceed with the execution and delivery of a Purchase Agreement as well as all necessary affidavits and other documents in connection with such purchase and acquisition, and that any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.
Action.........4. A Resolution Authorizing the Sale of Certain Properties in Powelton Village, Philadelphia, Pennsylvania was approved as follows:

Intention:

The University proposes to sell to Drexel University the following four (4) properties located in the Powelton Village neighborhood of Philadelphia: 3414 Hamilton Street, a property containing five (5) residential dwelling units in a three-story building located on a parcel of approximately 2,600 square feet; 3601-03 Powelton Avenue, a property containing 48 residential dwelling units and one (1) commercial unit in a four-story building located on a parcel of approximately 9,650 square feet; 3605-07 Powelton Avenue, a property containing six (6) residential dwelling units in a three-story building located on a parcel of approximately 8,900 square feet; and 3606 Powelton Avenue, a property containing six (6) residential dwelling units in a three-story building located on a parcel of approximately 3,000 square feet (together, the “Properties”). Drexel University has offered to purchase the Properties for a total of $1,175,000 payable as follows: $350,000 cash at closing with the balance of $825,000 payable in quarterly installments over a period of three years pursuant to a purchase money note and mortgage to be executed and delivered by the buyer to the University at closing.

RESOLVED, that the Executive Vice President or any other appropriate officer of the University be and they hereby are authorized to proceed with the sale of the Properties in accordance with the terms previously described in this Resolution and to proceed with the execution and delivery of an Agreement of Sale and a Deed conveying the Properties as well as all necessary affidavits and other documents in connection with such sale, and that any actions heretofore taken by such officers in furtherance of the purposes of this Resolution are hereby ratified and affirmed.

Action.........5. A Resolution Delegating Authority for Certain Real Estate Transactions was approved as follows:

Intention:

In 1980, the Trustees adopted a resolution that delegated to the Budget and Finance Committee the authority to approve and effect certain financial transactions, in the amount of $250,000 or less without further Trustee approval. In 1995, the Trustees expanded such delegated authority to cover transactions in an amount up to (but not including) $1,000,000, except that the Trustees reserved to the full Board the authority over all dispositions of real estate. The following year, recognizing the need to act expeditiously in the acquisition of real estate in West Philadelphia to complement the University’s land use plan, the Trustees created a body known as the Real Estate Acquisition Group and authorized it to approve certain acquisitions of real estate up to and including a purchase price of $15,000,000 per parcel. To permit the University to handle certain real estate transactions of small size expeditiously, the Administration recommends that the Trustees now adopt resolutions authorizing in general such real estate transactions, subject to University officer approval.
RESOLVED, that the Trustees hereby authorize the acquisition and disposition of any real property (including improvements) in which the proposed sale price is $1,000,000 or less, provided that in each case such disposition is approved in writing by two of the following three officers of the University: the Executive Vice President, the Treasurer, and the Vice President for Finance.

FURTHER RESOLVED, the approval by two of such three officers shall be conclusively evidenced by the signature of two of such three officers on the deed of transfer for such real property or by a certificate signed by the Secretary of the University or by two of such three officers confirming that such approval has been obtained;

FURTHER RESOLVED, that any officer or officers of the University are hereby authorized to execute and deliver such contracts, agreements, deeds, certificates, and other documents as may be necessary or desirable to enter into or conclude any transaction authorized in the appropriate manner set forth above or to carry out the purpose and intent of the foregoing resolutions;

FURTHER RESOLVED, that these resolutions shall be deemed to be in addition to the authority delegated by the Board of Trustees in its resolution adopted June 20, 1980, as amended and supplemented by its resolutions adopted January 20, 1995 and June 20, 1996, and except as modified by these resolutions, such prior resolutions are hereby ratified and confirmed.

Intention:

The Pennsylvania Higher Educational Facilities Authority (the “Authority”) has issued $90,000,000 of its The Trustees of the University of Pennsylvania Health Services Revenue Bonds (Adjustable Convertible Extendable Securities – ACES$^{SM}$) Series B of 1994, $80,000,000 of its The University of Pennsylvania Health Services Revenue Bonds, Series C of 1996 and $121,600,000 of its The University of Pennsylvania Health Services Revenue Bonds, Series B of 1998 (all of such series are collectively referred to herein as, the “Bonds”) each of which bears interest at a variable interest rate reset weekly. Because of historically low interest rates and other business reasons, the Administration recommends that one or more of the series comprising the Bonds be converted from a variable interest rate to a fixed interest rate for the remaining term of the particular series.
In connection with the resetting of interest rates from a variable rate to a fixed rate, the principal amount of the Bonds so converted would remain unchanged, as would the final maturity date. In addition, the documentation under which the particular series of the Bonds was issued would also remain unchanged. The bonds to be so converted would be remarkeeted and a remarketing memorandum containing information about the University and the University of Pennsylvania Health System would be distributed to potential purchasers of the Bonds.

The University’s Administration recommends that the Trustees delegate to the Bond Ad Hoc Committee (the “Ad Hoc Committee”), consisting of Robert A. Fox, Paul F. Miller, Jr., James S. Riepe, and Richard B. Worley, the power to determine the fixed rate on any series of Bonds converted from a variable interest rate to the fixed rate.

RESOLVED, that the Trustees of the University hereby authorize the Executive Vice President, Vice President for Finance, or Treasurer to convert all or any portion of the Bonds from a variable rate to a fixed rate and delegates the Ad Hoc Committee the power to approve the fixed rate applicable to the Bonds so converted.

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance, or Treasurer be and any one of them is hereby authorized to determine the series of the Bonds to be converted from a variable rate to a fixed rate, to determine the method of sale to be used in connection therewith, which may be a competitive or a negotiated sale, and if a negotiated sale to choose the underwriter or underwriters in connection therewith, to obtain municipal bond insurance to enhance the rating of the Bonds, if deemed appropriate and to take all other action and approve the form and content and execute and deliver such documents as shall be required in connection with such conversion and to do such things as shall be necessary in respect thereto, subject however, in all respects to the power granted by the Trustees to the Ad Hoc Committee.

Action........7. A Resolution on Change in Investment Fiduciary was approved as follows:

Intention:

The University of Pennsylvania and the University of Pennsylvania Health System maintain defined benefit pension plans for their support staff known as the Retirement Allowance Plans (the “Plans”). The Vice President for Finance (or the Treasurer in the absence of the Vice President for Finance) was previously designated as Investment Fiduciary for the Plans. The University has recently created the position of Managing Director for Investments, a position which is better suited to performing this function. The University now wishes to delegate investment management responsibility for the Plans and the duties of the Investment Fiduciary to the Managing Director for Investments.

RESOLVED, that the Managing Director for Investments is hereby designated as Investment Fiduciary of each of the Plans, is responsible for directing the investments for
such Plans, and is authorized to take such action, including amending the Plans, as may in his judgment be necessary or desirable to accomplish the terms of this resolution.

Action........8. A Resolution on the Wharton School New Academic Building at 38th and Walnut Streets was approved as follows:

Intention:

The Wharton School wishes to proceed with the construction of a new academic building on the site formerly occupied by the University Bookstore. The scope is a 320,000 gross square foot structure (including servicing) which will rise three stories along Locust Walk, four stories along 38th Street, and nine stories at Walnut Street. It will include four large instructional spaces, 36 classrooms up to cohort-size, over 60 seminar and group study rooms, four computer teaching labs, 40 group computer workstations, a Faculty Colloquium floor for research seminars and other special events, student support spaces including separate undergraduate and MBA lounges and cafes, faculty offices for four academic departments, and administrative spaces associated with the above uses. This project is currently estimated to cost $128 million, subject to further value engineering, and will be paid for by gifts. The Trustees previously approved $8.4 million (included in the $128 million) for design fees and related expenses on May 2, 1997.

RESOLVED, that the construction of the Wharton School New Academic Building, currently estimated to cost $128 million, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such construction, execute such contracts, and incur such expenses and obligations – not, however, in excess of 110% of the estimated cost of such construction as presented to the Trustees Budget and Finance Committee – as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

D. Development - Mr. Shoemaker

Mr. Shoemaker reported that fundraising progress to date in Fiscal Year 1999 is on target. He noted that receipts as of January 31 stood at $148.7 million, an increase of 40% over last year at this time. Subscriptions through January totaled $155 million, 52% of the $300 million goal for Fiscal Year 1999. Mr. Shoemaker stated that in order to achieve that ambitious goal, the Development Committee would need to focus particular attention in the coming months on closing a number of new multi-million dollar gifts.

Mr. Shoemaker remarked that one of the most important achievements so far this year has been in the area of endowment. As of the end of January, $58 million, or nearly half of Fiscal Year 1999 receipts to date, were added to the endowment. Mr. Shoemaker termed this “truly extraordinary progress,” which will ensure another record-breaking year for receipts added to the
endowment. Last year, by comparison, a total of $64 million was added to endowment through new gifts during the entire fiscal year.

At its meeting yesterday, the Development Committee received a progress report on fundraising for the Agenda for Excellence for core University life needs, including financial aid, academic programs, college houses, and recreational facilities. Also discussed were important changes in the leadership levels for the Benjamin Franklin Society that will recognize Penn’s most loyal and generous donors to unrestricted annual giving programs across the University.

On behalf of the Development Committee, Mr. Shoemaker thanked the trustees for their efforts to support and promote Penn’s priorities.

E. Facilities and Campus Planning - Mr. Mack

Mr. Mack pointed out that renovation and construction is occurring all over campus, and the Facilities and Campus Planning Committee is extremely busy with both current projects and planning for future improvements.

Mr. Mack updated the trustees on some current projects. The Wharton School academic building is scheduled to break ground in the Spring and is slated for completion by the end of 2001; the estimated total cost is approximately $128 million. The Hamilton Square project, scheduled to begin in the Spring, will take approximately 12 to 18 months to complete. Its features on 40th Street will include the Sundance Theater, a fresh food market, and an 800-car garage above the market. He described the design of Hamilton Square as highly contemporary. One objective of the project is to make the whole area traffic- and user-friendly, and the Trustees and Administration look forward to cementing the western boundary of the campus. Dr. Mack continued by noting that a new baseball field will be erected near the Module VII site, and the Committee also was updated on the conversion of the GE facility on the eastern boundary of the campus, which is under a negotiated letter of intent. The GE building will be converted into residential facilities consisting of approximately 285 apartments, 19,000 feet of retail, and 90,000 feet of offices/back offices for the University, freeing up valuable space for University usage.

F. Investment Board - Mr. Riepe

Mr. Riepe noted that the Investment Board reviewed the performance of the endowment and each of its investment managers during its last meeting. The Board approved placement of $100 million with two firms that pursue very specialized investment strategies. The Board also approved an account which will be indexed to the S&P 500; cash that is awaiting allocation to existing or new managers will be placed into this account to assure that monies are invested consistently with asset allocation targets.

Mr. Riepe reported that as of December 31, the Associated Investments Fund (AIF) stood at just under $2.4 billion, and the overall endowment was just over $3 billion. He explained that performance in the fiscal year to date has suffered relative to the S&P 500, due primarily to the bias toward value investing and the allocation to international and emerging markets equities. The Investment Board believes that its investment approach will, as it has in the past, be rewarding during a full market cycle in spite of the recent market environment.
G. Neighborhood Initiatives - Mr. Casellas

Mr. Casellas highlighted some of the extraordinary progress the University has made in its West Philadelphia initiatives in the last eight months. He said that the Community Housing Program’s goal to increase home ownership in University City has already been well met; under the Enhanced Mortgage Program, 90 properties in University City have been sold in the last 10 months to Penn affiliates who are moving into the neighborhood. This compares to a total of 17 houses sold all of last year. Fifty-six home owners have taken advantage of the Home Improvement Program in which Penn matches dollars they spend on external home improvements. Mr. Casellas described the result as a brightening, blossoming neighborhood, with fix-up projects on dozens of blocks.

Mr. Casellas said that the planning for the new preK-8 neighborhood school is proceeding on schedule. Three planning committees—including representatives from Penn, the Philadelphia School District, parents, teachers and community residents—are energetically developing the details of the educational and community programs and the school design and construction plans. Penn's partnership with the School District and the Philadelphia Federation of Teachers continues to attract national attention, and prospects for the new school--and for education in West Philadelphia--are very promising.

Mr. Casellas reiterated that Penn's work in the West Philadelphia community is getting national attention as an innovative and successful model of urban revitalization. This program is something all trustees can take great pride in, and Mr. Casellas saluted President Rodin and her team.

H. Student Life – Mrs. Greenawalt

Mrs. Greenawalt reported on the Student Life Committee meeting that was held on Thursday afternoon at Civic House, a new collaborative center to support the College House System. The Civic House, a student-conceived and student-driven program, is Penn’s new hub for community service. The meeting was chaired by Civic House Faculty Director, Professor Peter Conn and the Program Director, Mr. David Grossman. Mrs. Greenawalt noted the enthusiasm of the students involved in Civic House programs, and she reported that fraternities and sororities have expressed interest in sending their pledge classes to Civic House to be oriented about community service opportunities in West Philadelphia.

I. Alumni Report -- Mr. Magnin

Mr. Magnin introduced and welcomed Penn’s two new alumni trustees: Alan Hassenfeld, C’70, representing the Northeast region and David Montgomery, C’68, representing the Philadelphia area. Mr. Magnin remarked that the University of Pennsylvania Alumni Society (UPAS) continues to develop new programs for the Global Alumni Network connecting Penn alumni. Mr. Magnin proudly announced that this spring, all 236,000 University alumni will be invited to sign up for electronic mail forwarding, which will provide them with a Penn e-mail address for life. The e-mail forwarding program will be launched during the annual alumni
celebration on May 14 and 15. This month, the Alumni Society will mail the first copies of Penn’s first all-alumni directory in more than 75 years.

Mr. Magnin announced that the 1999 Grand Marshal for the Parade of Classes, the climax of the alumni celebration, will be Mr. Bruce Montgomery.

V. Appointments to Overseer and Other Boards

**Action**

1. A Resolution on Appointment of Richard S. Downs to the University of Pennsylvania Health System Trustee Board was approved as follows:

   RESOLVED, that Mr. Richard S. Downs be appointed to the University of Pennsylvania Health System Trustee Board for a three-year term, effective July 1, 1999, and to the Phoenixville Hospital Trustee Board for a three-year term, effective July 1, 1999.

2. A Resolution on Filling a Vacancy in the Membership of the Board of Managers of Pennsylvania Hospital and Electing I. William Ferniany, Ph.D. to the Pennsylvania Hospital Board was approved as follows:

   **Intention:**

   Section 3.6 of the Bylaws of Pennsylvania Hospital of the University of Pennsylvania Health System provides that vacancies in the membership of its Board of Managers be filled in the manner set forth by the Trustee Board Executive Committee of the Health System. Due to the resignation of Martha H. Marsh, Senior Vice President for Professional Services and Managed Care, from the Board of Managers effective December 31, 1998, there is now a vacancy.

   The Chairman of the Executive Committee, after consultation with the Chief Executive Officer and Dean of the Health System, has identified I. William Ferniany, Ph.D., Senior Vice President for Professional Services of the University of Pennsylvania Health System, as a candidate for the vacant membership position on the Board of Managers, and recommends that Dr. Ferniany be appointed a member of the Board of Managers.

   The Executive Committee of the Health System Trustee Board has resolved, on February 8, 1999, subject to the approval of the Trustee Board of the University of Pennsylvania, to appoint I. William Ferniany, Ph.D. as a member of the Board of Managers.

   RESOLVED, that I. William Ferniany, Ph.D. is appointed as a member of the Board of Managers of Pennsylvania Hospital of the University of Pennsylvania Health System to fill the vacancy.

3. A Resolution on Appointment of Managers of the Wistar Institute was approved as follows:
RESOLVED, that the following individuals be appointed for one-year terms to the Board of Managers of the Wistar Institute, effective February 19, 1999:

Vincent G. Bell, Jr.; Thomas Peter Bennett, Ph.D.; Ian J. Berg; Robert S. Blank; Ira Brind; David L. Cohen; Barry S. Cooperman, Ph.D.; Harold M. Davis; Peter C. Doherty, Ph.D.; Brian H. Dovey; Robert A. Fox; Roger S. Hillas; James N. Ihle, Ph.D.; Jerry L. Johnson; William N. Kelley, M.D.; Hilary Koprowski, M.D.; Faye S. Oliveri; Albert Ominsky; Ruth Patrick, Ph.D.; Seymour S. Preston III; Donald Vail Rhoads, M.D.; Robert H. Rock; Gerald B. Rorer; Adele K. Schaeffer; Edward Sickles; Doris Taxin; Kevin Tucker; and David V. Wachs.

Action........4. A Resolution on Appointment of the Honorable Marjorie O. Rendell to the Board of Overseers of the School of Nursing was approved as follows:

RESOLVED that the Honorable Marjorie O. Rendell be appointed to the Board of Overseers of the School of Nursing for a three-year term, effective February 19, 1999.

Action........5. A Resolution on Appointment of Mr. David B. Weigle to the Board of Overseers of the University Libraries was approved as follows:

RESOLVED that Mr. David B. Weigle be appointed to the Board of Overseers of the University Libraries for a three-year term, effective February 19, 1999.

Action........6. A Resolution on Appointment of Mr. Arthur D. Collins, Jr. to the Board of Overseers of the Wharton School was approved as follows:

RESOLVED that Mr. Arthur D. Collins, Jr. be appointed to the Board of Overseers of the Wharton School for a three-year term, effective February 19, 1999.

Action........7. A Resolution on Appointment of Mrs. Roberta Tanenbaum to the Advisory Board of the Annenberg Center was approved as follows:

RESOLVED that Mrs. Roberta Tanenbaum be appointed to the Advisory Board of the Annenberg Center for a three-year term, effective February 19, 1999.

Action........8. A Resolution on Appointment of Mrs. Phyllis Mack to the Advisory Board of the Institute of Contemporary Art was approved as follows:
RESOLVED that Mrs. Phyllis Mack be appointed to the Advisory Board of the Institute of Contemporary Art for a three-year term, effective February 19, 1999.

Before closing the meeting, Chairman Vagelos informed the Board that Mr. Jason Horger would be leaving his position as Executive Assistant in the Office of the Secretary to serve as Special Assistant and Project Manager to Mr. Peter Erichsen in the Office of the General Counsel. Chairman Vagelos thanked Mr. Horger for his years of service at which time the trustees accorded Mr. Horger an appreciative round of applause.

There being no further business to come before the Board, the meeting was adjourned at 3:15 p.m.

Respectfully submitted,

Rosemary McManus
Secretary of the University